

Office of the Illinois State Treasurer
Michael W. Frerichs

Invitation for Bids Custody and Safekeeping Services
370-500-17-007

Addendum 1
January 3, 2017

Below are the questions received by the Office of the Illinois State Treasurer (“Treasurer”) and the Treasurer’s responses. Any capitalized terms that are not defined herein have the meaning set forth in the Invitation for Bids Custody and Safekeeping Services (370-500-17-007) (“IFB”) published by the Treasurer on December 22, 2016.

1. What are the total number of accounts anticipated for the portfolio and of those accounts, how many would be separately managed?

The Treasurer anticipates one (1) custody and safekeeping account for the portfolio.

2. What is the anticipated average monthly cash sweep balance maintained?

The average monthly cash sweep balance will be based on the security transactions executed by the external investment managers. Your financial institution’s bid pricing should take into account an unpredictable balance.

3. Please provide the monthly trading estimates for:

- a. buys/sells/maturities (these can be one total), CMO/assets and mortgage backed principal and interest payments, and pooled security principal and interest payments.

Please refer to Section I. of the IFB. (“[A] financial institution ... will hold approximately \$75,000,000 in corporate and municipal securities, which will be traded by the Treasurer’s external investment managers.”)

- b. Estimate of the annual number of incoming wires.

The annual number of incoming wires will be based on the number of security transactions executed by the external investment managers. Your financial institution’s bid pricing should take into account an unpredictable number of incoming wires.

- c. Estimate of the annual number of outgoing wires.

The annual number of outgoing wires will be based on the number of security transactions executed by the Investment Managers. Your financial institution's bid pricing should take into account an unpredictable number of outgoing wires.

4. What other reporting do you need the selected vendor to provide? Please provide the details and a sample report, if possible.

Please refer to Section III. J-L of the IFB for the required reports and reporting details. A sample report is not available.

5. Please identify if any outside held/mirrored/shadowed assets are in the portfolio.

The estimated \$75,000,000 in corporate and municipal securities will be executed by the external investment managers; no existing securities will be transferred into this custody and safekeeping account.

6. What vendor currently has the contract and when does it expire?

The Treasurer currently does not have a custody and safekeeping account for holding securities traded by an external investment manager.

7. Given that the trust accounts are protected from bank credit risk, can you clarify the State's objective with the elimination of banks from responding the IFB if they have been "*subject to any current investigations and/or formal sanctions by any federal regulatory agency, including, but not limited to, the Securities and Exchange Commission, Department of Justice, Department of Labor, and the Federal Reserve, in which Respondent, its officers, or principals have been involved in from January 1, 2014 to present;*"?

In soliciting bids from financial institutions that are not currently subject to investigations or formal sanctions by federal regulators, the Treasurer strives to maintain the integrity and public trust of State government, consistent with the objectives of the Treasurer's Procurement Rules. (*See, e.g., 44 Ill. Adm. Code 1400.5005.*)

8. Is the state aware that the following banks were investigated by the Federal Reserve in 2015? UBS, Citigroup, JPMorgan Chase, Barclays, Bank of America, Deutsche Bank, Crédit Agricole, State Street Corporation, State Street Bank and Trust and over 20 other financial institutions.

The Treasurer is aware of certain Federal Reserve investigations that have been publicly disclosed; however, it cannot comment on (a) the timing of the above referenced investigations or (b) the existence of investigations involving “over 20 other” unnamed financial institutions.

9. Section III.D. of the RFP requires certain securities to be held within the State of Illinois. The assets would be held in NY through the Bank, as agent. Would we be able to obtain the Treasurer’s approval in writing for this as noted in the RFP?

Section III.D of the IFB states, “the Treasurer only requires the Respondent to obtain the Treasurer’s approval in wiring for non-Federal Reserve eligible securities held in another state other than Illinois or New York.”

10. Can you share investment transaction/disbursement volumes for the relationship?

The volume of investment transactions/disbursements will depend on the number of security transactions executed by the external investment managers. Your financial institution’s bid pricing should take into account an unpredictable number of outgoing wires.